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Committee on Administration and Finance
1990 session

FOR ACTION

RECOMMENDATION FOR THE ESTABLISHMENT OF A RESERVE FUND FOR FIELD OFFICE ACCOMMODATION AND STAFF HOUSING

INTRODUCTION

1. At UNICEF duty stations located in many parts of the world, the development and formulation of assistance plans and the effective delivery of assistance can only be achieved if there is suitable office accommodation available, as well as adequate and reasonably priced housing for international staff assigned to the country. For many years, there have been recurring problems with respect to both adequate office accommodations and suitable housing for international personnel in various countries UNICEF is currently assisting. In many cases, acute shortages of commercial office space and housing have resulted in exorbitant rental rates and requests from landlords for rental payments to be made as much as five years or more in advance. The demand for suitable office space and housing has, in many instances, far outstripped supply. In certain countries where UNICEF has not established an office, it is often necessary to out-post an international staff member from a UNICEF regional, area or country office, to serve in an advisory or liaison capacity. In order to function efficiently and effectively, these staff members require suitable, properly located and reasonably priced housing accommodation. These problems are not unique to UNICEF, as other organizations and agencies in the United Nations system have been confronted with similar difficulties for many years.

I. JOINT CONSULTATIVE GROUP ON POLICY

2. The Joint Consultative Group on Policy (JCGP), composed of the United Nations Development Programme (UNDP), the United Nations Population Fund (UNFPA), UNICEF, the World Food Programme (WFP) and the International Fund for Agricultural Development (IFAD), has been active for several years in seeking ways to enhance

collaboration so as to strengthen effective programme delivery. In 1987, JCGP undertook to review its approach with regard to sharing premises and services and strengthening the existing policy. Because there has been considerable discussion in the United Nations system regarding increased efforts to share common premises and services, including the concerns expressed by Governments at meetings of the General Assembly, and based on recommendations that have been made by the Joint Inspection Unit (JIU) along these lines, JCGP, at a meeting held on 4 May 1989, decided to establish a permanent Sub-Group on Common Premises and Services to deal with this matter. The Sub-Group reviews issues relating to common premises and services referred by field offices. It is primarily responsible for overseeing each common premises project, including planning, design, financing, construction and management.

II. COMMON PREMISES

3. In line with the terms of reference of the JCGP Sub-Group, UNICEF has been requested to participate in sharing proposed new or renovated office accommodation at 15 different duty stations, which are expected to be completed within the next one to two years. It is estimated that the proportionate share for UNICEF of the cost of these projects will total approximately $16 million. It should be noted that there have been instances recently where UNDP has invited UNICEF to participate in sharing the cost of constructing common premises at certain duty stations which UNICEF has been unable to accept because of the lack of a funding source for that purpose. The annexed table gives a list of the duty stations involved and the estimated proportionate share for UNICEF of the total cost of each project.

4. Common premises offer UNICEF and the other participating organizations many financial and other advantages, including sharing common services and facilities that need not be duplicated at three or four different locations at one particular duty station. These include medical services, communication services (telephone, mail and messenger, computer, etc.), security, staff cafeteria or canteen, joint use of meeting rooms, duplicating services, copying equipment, office supplies, joint procurement of administrative equipment, furniture and supplies, etc. Most important is the fact that the participating organizations will be able to rely on a fixed rate of rent for a number of years ahead and will not have to worry about large rental increases in market rental rates when leases expire or, in some cases, about the necessity to relocate to other premises if the landlord chooses not to renew or extend the term of the lease.

III. PURCHASE OR CONSTRUCTION OF STAFF HOUSING FOR INTERNATIONAL STAFF ASSIGNED TO FIELD OFFICES

5. As noted in paragraph 1 above, because of the unavailability of housing for international staff at certain field office duty stations, UNICEF has, on several occasions, been unable to assign, on a timely basis, badly needed project support personnel to assist countries. In addition, in many cases, exorbitant rents have had to be paid, resulting in increased budgetary expenditures for rental

subsidies. The acute shortage of housing at many duty stations has made it difficult to rotate staff from one duty station to another in a systematic manner. To remedy this situation, UNICEF has purchased or constructed staff housing in the following locations: Harare, Jakarta, Brasilia, Kampala and, most recently, Windhoek. The related costs were financed from UNICEF general resources as a capital acquisition and the costs recovered over a period of time through the rental payments paid by the staff. Although the acquisition costs have been charged to general resources and not the budget, it has been established practice to seek approval for such acquisitions in the budget estimates. However, this method of dealing with the serious housing problem has been unsatisfactory owing to the difficulty of accurately forecasting precise needs. The need often arises suddenly and the timing of the budgetary cycle often delays the acquisition of essential staff housing on a timely basis.

6. In certain cases, when a particular Government does not have the financial resources to do so, UNICEF has had to pay the costs of renovating or repairing housing provided to staff members by the Government in order to bring a dwelling up to a reasonable standard of habitability. The costs for this purpose are charged to the regular budgetary allotment covering "rental subsidies". It is not proposed to change this practice at the present time.

7. It is currently estimated that over the next two or three years, approximately $4 million will be required for staff housing, involving either direct purchase, joint construction of houses with other United Nations agencies or renovation and repairs.

IV. RECOMMENDATION

8. Since the shortage of suitable office accommodation and housing for international field staff continues to constitute a serious problem at several duty stations, with detrimental consequences to UNICEF-assisted projects, the Executive Director recommends that the Executive Board authorize the establishment of a Reserve Fund for Field Office Accommodation and Staff Housing in a total maximum amount of $25 million, similar to the practice currently being followed by other United Nations organizations. Of this amount, 75 per cent ($18.8 million) would be earmarked for field office accommodations, relating mainly to UNICEF participation in common premises with other United Nations organizations. The balance of 25 per cent ($6.2 million) would be utilized to acquire, if necessary, or renovate existing housing for international staff assigned to field office duty stations where suitable housing is not available for rent or where rental rates are exorbitant.

V. FINANCING AND ACCOUNTING PROCEDURES

A. Common premises

9. Unlike the office accommodation and staff housing funds established by some other organizations such as UNDP, UNICEF would not make loans to Governments. In

the case of common premises, UNICEF would make a direct contribution of its proportionate share of the project to the lead United Nations organization responsible for co-ordination and administration of the project, which is usually UNDP.

10. In cases where joint participation in common premises is not possible or feasible, UNICEF would arrange either for local purchase, construction or renovation of existing UNICEF-owned office premises. Buildings that would be purchased or constructed would be the property of UNICEF. In cases where construction was necessary, UNICEF would seek the co-operation of assisted Governments in obtaining a donation of government-owned land, wherever possible.

B. Housing for international field staff

11. The Fund would be used for the direct purchase by UNICEF of suitable housing for the use of international staff only in those cases where such housing was not available for rent, where rental rates were exorbitant or where rental advances by the landlord required excessive advance rentals for an extended period (four years or more). The buildings purchased or constructed for that purpose would become the property of UNICEF and would be included in the financial records as a capital asset of UNICEF.

12. If it were necessary to construct housing, UNICEF would endeavour to obtain, as in the case of office accommodation mentioned above, a donation of land from the Government.

C. Accounting procedures

13. It is proposed that the funds necessary for the initial establishment of the Fund be provided out of savings from the 1988-1989 administrative budget. 1/ In future, for office accommodation, the Fund would be replenished by further charges to the administrative budget.

14. If the recommendation contained in paragraph 8 above is approved, the Executive Director would report on the status of the Fund every other year in the biennial financial report.

Notes

1/ Final figures will be provided in March 1990 after closure of the 1989 accounts.

READEX FICHE

Annex

ESTIMATED COSTS RELATED TO NEW OR RENOVATED PROPOSED COMMON PREMISES

(In United States dollars)

	City	Country	Estimated UNICEF share
1.	Mogadiscio	Somalia	2 000 000
2.	Kinshasa	Zaire	2 500 000
3.	Brasilia	Brazil	1 000 000
4.	Hanoi	Viet Nam	1 000 000
5.	La Paz	Bolivia	800 000
6.	Luanda	Angola	2 000 000
7.	Bujumbura	Burundi	1 000 000
8.	Karachi	Pakistan	600 000
9.	Quito	Ecuador	800 000
10.	Sao Tome	Sao Tome and Principe	300 000
11.	Bissau	Guinea-Bissau	600 000
12.	Aden	Democratic Yemen	800 000
13.	Banjul	Gambia	300 000
14.	Praia	Cape Verde	300 000
15.	Dhaka	Bangladesh	2 000 000
		Total	16 000 000

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Committee on Administration and Finance
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RECOMMENDATION FOR ADDITIONAL HEADQUARTERS OFFICE ACCOMMODATION

The Executive Director recommends that he be authorized to sign a lease for a 14-year term for one additional floor, consisting of 40,000 square feet of office space at 333 East 38th Street, to meet additional headquarters office space requirements. The total cost of the additional space, including the cost of the necessary renovations, would be financed within the already approved budget for the 1990-1991 biennium.

1. As a result of a critical shortage of office space at New York headquarters, it is necessary to provide suitable additional office accommodation for a number of staff on already approved essential core and project-funded posts, as well as for the staff to deal with emergency assistance to Afghanistan and other emergencies. Because of this critical situation, the Executive Director submitted recommendations to the Advisory Committee on Administrative and Budgetary Questions (ACABQ) on 22 January 1990 to rent one floor, consisting of 40,000 square feet of office space, at 333 East 38th Street, where the UNICEF Greeting Card Operation (GCO) and the United States Committee for UNICEF each currently occupy one floor.

2. It was proposed to finance the rental and one-time installation costs relating to the acquisition of this office space, for the years 1990-1991, from the approved biennium budget for these years (excluding any additional supplementary budget that may be required for mandatory increases). At the time the proposal was prepared for ACABQ in October/November 1989, the relevant costs were estimated at $2.2 million for 1990, including a net amount of $1.5 million for one-time installation costs, after deducting a contribution of $1.0 million from the landlord and $1.3 million for 1991. The current estimates given in the table below provide for three months' rent in 1990 instead of six months rent, as previously estimated in the document submitted to ACABQ on 22 January 1990.

3. Because the proposal involved a 14-year lease commitment and in view of the total amounts involved over the length of the lease (an estimated $23.6 million for rent and $1.6 million (net) for one-time installation costs), ACABQ recommended that, before a decision was taken on the matter, a document should be submitted to the Executive Board requesting a policy decision on the rental of premises outside UNICEF House. A letter to that effect, dated 5 March 1990, from the Chairman of ACABQ has been received by the Executive Director with a request that it be annexed to the present document (see annex).

4. Copies of the Executive Director's original document on the subject, which was provided to ACABQ on 22 January 1990 and discussed at an informal meeting held between ACABQ and the UNICEF secretariat on 16 February 1990, are available upon request from the Secretary of the UNICEF Executive Board. The recommendations were prepared in October/November 1989 in consultation with the United Nations Office of Legal Affairs.

5. The landlord's original proposal provided for an average base rent of $30.23 per square foot over the 14-year term of the lease, covering the rental of one floor consisting of 40,000 rentable square feet. Under the terms of this proposal, the landlord would contribute an amount of $1.0 million towards the total of $1.6 million tentatively estimated for construction and installation costs. Under the terms of a revised proposal currently under discussion with the landlord, the average base rent per square foot would be reduced to $26.33 per square foot, representing a decrease of $3.90 per square foot. This would be an average savings of about $156,000 per annum, or $2.2 million less than the landlord's original offer, over the 14-year term of the lease. Because of the time required to conclude the lease negotiations and to complete construction and renovations, it is estimated that the office space offered could not be ready for occupancy before approximately October 1990. The landlord has indicated that, if he was not required to contribute $1 million towards the renovation costs, he would reduce the

average per square foot base rental cost by $2.86 (from $26.33 to $23.47) per square foot. This would represent a further savings averaging about $114,400 per annum, or $1.6 million, over the 14-year term of the lease.

6. Based on the foregoing, if UNICEF were to accept the landlord's latest offer for the additional floor, the estimated costs for the years 1990 and 1991 would be as follows:

Estimated cost of renting additional floor at 333 East 38th Street

(In United States dollars)

		With landlord's contribution of $1.0 million towards cost of renovations		Without landlord's contribution of $1.0 million towards cost of renovations	
		Oct.-Dec. 1990	Jan.-Dec. 1991	Oct.-Dec. 1990	Jan.-Dec. 1991
(i)	Aggregate rent for 40,000 square feet a/	190 000	1 132 400	190 000	972 400
(ii)	One-time installation costs:				
	Design services for floor layout, project assistance services and legal fees	100 000	-	100 000	-
	Furniture, equipment and floor covering	528 000	-	528 000	-
	Computer, telephone and telex installations	200 000	-	200 000	-
	Construction and installation costs	1 600 000	-	1 600 000	-
	Subtotal	2 428 000	-	2 428 000	-
	Add: 5% contingency	121 000	-	121 000	-
	Less: renovation and installation costs to be paid by landlord	1 000 000	-	-	-
	Total (ii)	1 549 000	-	2 549 000	-
	Total (i) and (ii)	1 739 000	1 132 400	2 739 000	972 400

a/ Includes base rent, operating escalation, cleaning, tax escalation and tenant's directly metered electricity.

7. Under the landlord's previous proposal, the total cost over the full 14-year period (1990-2003) would have been an estimated $23.6 million, including base rent, operating expense escalations, cleaning, real estate tax escalations and tenant's directly metered electricity. The landlord's revised proposal, covering the period 1 October 1990 to 31 December 2003, would reduce this estimate by $2.9 million, to a total of $20.7 million. If the landlord was not required to contribute the $1.0 million towards the renovation costs, the estimated total rent covering this period would be $19.2 million, or $4.4 million less than the original proposal. However, UNICEF would then have to pay an estimated total of $2.7 million for one-time installation costs, instead of $1.7 million (see table above).

8. Although the advantages and benefits of current UNICEF headquarters accommodation at UNICEF House far outweigh its few disadvantages, one important disadvantage, which was pointed out at the time, was that it offered only limited space for future growth (see E/ICEF/1984/L.4, para. 18). Currently, the entire building is completely occupied. The office space situation has become so critical that it has recently become necessary to rent additional space elsewhere. These arrangements are only temporary and will not solve the continuing office space problem on a reasonably long-term, cost-effective basis. It is very difficult to rent economical space in the United Nations area and to provide the installations necessary for the staff to function efficiently and effectively (i.e., telephone, word-processing equipment, computer links with headquarters, etc.). It is a relatively costly method of meeting urgent needs that frequently arise.

9. Since the year 1984, when the office space plans were initially developed for UNICEF House, there has been a 38 per cent increase in the overall total of both core and project-funded posts at headquarters up to 1990 (e.g. from 423 posts in 1984 to 557 posts in 1990, or an increase of 134 posts). Of this total, it is possible at this time to accommodate only 498 staff members in existing premises, leaving a shortage of space for 59. The proposed lease would permit UNICEF to sublet part of the floor that is not immediately needed by UNICEF. This could be done on short leases to permit UNICEF to recover the space to meet future possible expansion needs for both UNICEF headquarters and GCO. The expansion space would accommodate an estimated 90 to 100 additional persons. On the basis of current headquarters and GCO staffing projections, this space should be sufficient for expansion needs for approximately the next five years.

10. Although no decision has yet been made with regard to which specific posts would be accommodated at 333 East 38th Street, if the recommendations of the Executive Director contained in the present document are approved, it is proposed that the rental costs relating to the space occupied by staff on emergency posts currently funded from emergency funds, be charged to the relevant projects, with a corresponding credit to the administrative budget to which all the original costs would have been charged.

11. As noted in paragraphs 5 to 7 above, there has been an improvement in the landlord's most recent offer compared to his previous offer made in October/November 1989. The landlord has indicated that he will not reduce his offer any further. The Executive Director believes that the landlord's current

offer of an average of $26.33 per square foot over the 14-year term of the lease is in line with or below office rents in the general area. At the present time, the base fixed rent at UNICEF House, which is located only six blocks from 333 East 38th Street, is $35.50 per square foot. Moreover, the United Nations Population Fund is currently renting space in the New York Daily News building on 42nd Street near Second Avenue at a rate of $34 per square foot. Although these two buildings are more modern and up-to-date than 333 East 38th Street, significant improvements are being made to the latter.

12. Although the UNICEF real estate consultant has recommended that UNICEF simultaneously negotiate for office space in another building in the area to strengthen its negotiating position, there are currently only one or two suitable buildings within the general area of the United Nations that have sufficient vacant space to meet UNICEF requirements. One of the buildings has an asking rent of $30 per square foot and the other has an asking rent of $32 per square foot. Since the landlord's lease proposal now offers an average rent of $26.33 per square foot over the 14-year term of the lease, as well as a contribution of $1 million for renovation costs, the Executive Director believes that UNICEF should accept the landlord's offer to UNICEF to rent one floor to solve the current critical headquarters office space problem. There are also many advantages in having the additional office space required consolidated in one location with GCO.

13. In view of the reasons given above, the Executive Director recommends that he be authorized to sign a lease for a 14-year term for one additional floor, consisting of 40,000 square feet, to meet additional headquarters office space requirements under the economic terms indicated in paragraph 5 above. The total cost of the additional space, including the cost of the necessary renovations, would be financed within the approved budget for the 1990-1991 biennium, as indicated above.

14. In considering the Executive Director's recommendations, it should be noted that negotiations with the landlord concerning this matter have been under way for such a long period of time that the situation has reached a stage where time is of the essence.

Annex

LETTER DATED 5 MARCH 1990 FROM THE CHAIRMAN OF THE ADVISORY COMMITTEE ON ADMINISTRATIVE AND BUDGETARY QUESTIONS ADDRESSED TO THE EXECUTIVE DIRECTOR OF UNICEF

The Advisory Committee on Administrative and Budgetary Questions has considered your report of 22 January 1990, relating to UNICEF headquarters office accommodation, in which you indicate that, because "UNICEF House is completely occupied with no further feasible possibility of accommodating additional occupants", it will be necessary to rent additional premises outside UNICEF House.

You are proposing to "rent the 8th floor at 333 East 38th Street effective approximately 1 July 1990, and to conclude a lease with the landlord for a 14-year term". As indicated in the document, the cost of renting these premises is estimated at $2,514,260 for the 1990-1991 biennium; the total estimated cost over the 14-year term of the lease is $23,615,764. In addition you are proposing "preliminary expenditure estimates related to one-time installation costs" amounting to $1,549,000.

According to the document submitted to the Advisory Committee, costs arising in 1990-1991 would be financed from savings within the 1990-1991 budget.

The Advisory Committee points out that it was not involved with the original decision to authorize the move to UNICEF House. The Committee is aware, however, that the initial proposal contained a caveat regarding space limitations on future growth.

In view of the amounts involved, and the length of the lease to be entered into, the Advisory Committee recommends that, before a decision is taken on this matter, a document should be submitted to the Executive Board requesting a policy decision on the rental of premises outside UNICEF House.

Should the Board agree in principle to the rental of additional office space, it could also decide that the actual terms of the lease to be entered into should be subject to the concurrence of the Advisory Committee. In this connection the Committee believes that the terms, already communicated to it, which are based on preliminary negotiations, could be significantly improved, as recommended by UNICEF's real estate consultant.

The Advisory Committee does not intend to comment on the report which you will be submitting to the Executive Board but will await the Board's policy decision. In the mean time this letter should be annexed to the report which you will submit to the Executive Board.

(Signed) C. S. M. MSELLE
Chairman